

**PUBLIC DISCLOSURE**

NOVEMBER 22, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BROOKLINE CO-OPERATIVE BANK

264 WASHINGTON STREET  
BROOKLINE, MASSACHUSETTS 02146

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **BROOKLINE CO-OPERATIVE BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

Brookline Co-operative Bank's satisfactory CRA rating is based on its performance under the following criterion for small institutions: Loan to Deposit Analysis; Credit Extended Inside and Outside the Assessment Area; Distribution of Credit Among Different Income Levels; Geographic Distribution of Loans; and Fair Lending Policies and Practices.

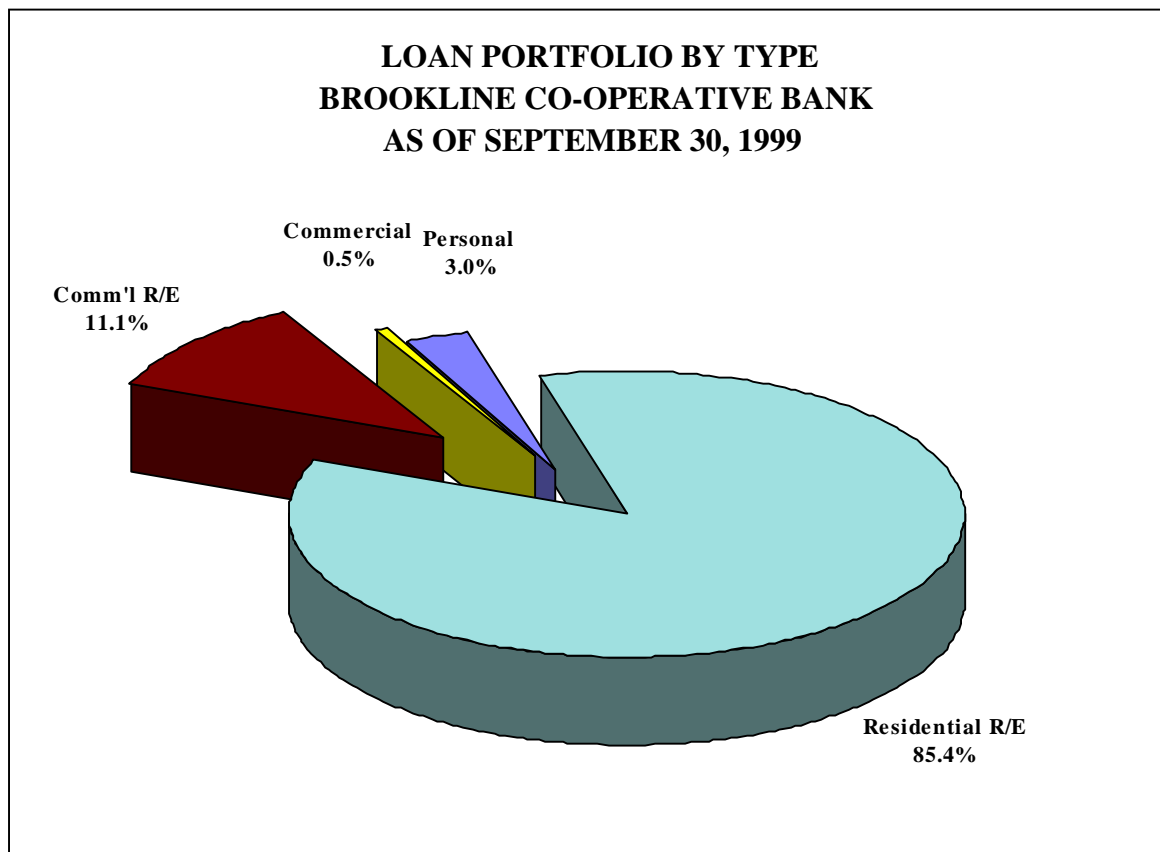
For the period December 31, 1997 through September 30, 1999, Brookline Co-operative Bank's loan to deposit ratio has averaged 86.2%. This ratio has fluctuated from a low of 81.4% in June 1999 to a high of 90.8% in September 1998. Further, the average ratio was found to be somewhat higher than that of many other similar type institutions. Performance under this criterion was rated "Exceeds Standards for Satisfactory Performance." The bank has originated a substantial majority of its residential mortgage loans outside of its assessment area. This is a continuation of performance identified during the previous Division CRA examination conducted in November 1997. The bank was rated "Does Not Meet the Standards for Satisfactory Performance" for this criterion. During the examination period, the bank extended 18.2% of its residential mortgage loans to low and moderate-income borrowers. This is particularly noteworthy given the bank's assessment area contains no low or moderate-income census tracts. Further, according to 1998 HMDA data, the bank performed better than the aggregate lenders in originating loans to low and moderate-income borrowers. The bank was found to exceed the standards for satisfactory performance under this criterion. The bank's assessment area consists only of middle and upper-income census tracts. The distribution of loans adequately reflects the distribution of census tracts within the assessment area. As such, performance under this criterion was deemed satisfactory. Finally, the bank has not received any complaints related to its CRA performance and Fair lending policies and practices were satisfactory.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Brookline Co-operative bank is a \$55.8 million mutually owned state institution that was chartered by the Commonwealth of Massachusetts in 1895. Its sole office is located in Brookline (Brookline Village), Massachusetts. The bank is primarily a residential real estate lender with real estate loans representing 85.4% of its portfolio.

Refer to the following graph for additional information.



Brookline Co-operative Bank operates one full service office located at 264 Washington Street, Brookline. The bank maintains an ATM machine at its office, which is connected to the NYCE network. Banking hours are considered convenient and accessible to the bank's customers.

The Brookline Co-operative Bank has direct competition within the immediate area from several local institutions including Brookline Savings Bank, Bay State Federal Savings, U.S. Trust, and FleetBoston. The market influence from these institutions appears to be significant, and as a result, serves to keep the bank's rates and services offered competitive. There appears to be no significant financial or legal impediments, which would limit the bank's ability to help meet the credit needs of its assessment area.

The Federal Deposit Insurance Corporation last examined the bank for compliance with the Community Reinvestment Act on September 19, 1998. That examination resulted in a "Satisfactory" rating. The Division of Banks last examined the bank for compliance with the Community Reinvestment Act on November 27, 1997. That examination also resulted in a satisfactory rating.

### **Description of Assessment Area**

Brookline Co-operative Bank has defined its assessment area as the Town of Brookline, which is located within the Boston Metropolitan Statistical Area (MSA). The bank's assessment area includes 12 census tracts: 4 or 33.3% designated as middle income and 8 or 66.7% are designated as upper-income. According to 1990 census data, 41.4% of the total housing units in the assessment area are owner-occupied; 54.7% are rental occupied; and 52.2% are multi-family units. The median home value for owner-occupied properties is \$378,045.

The Town of Brookline was incorporated in 1705 and has managed to maintain its own identity as a community of 6.6 square miles and almost 55,000 people. The town's population is substantially diverse including elders, minorities, immigrants, young families and college students. The town's major retail centers are Coolidge Corner and Brookline Village, each of which contains a variety of shops and businesses.

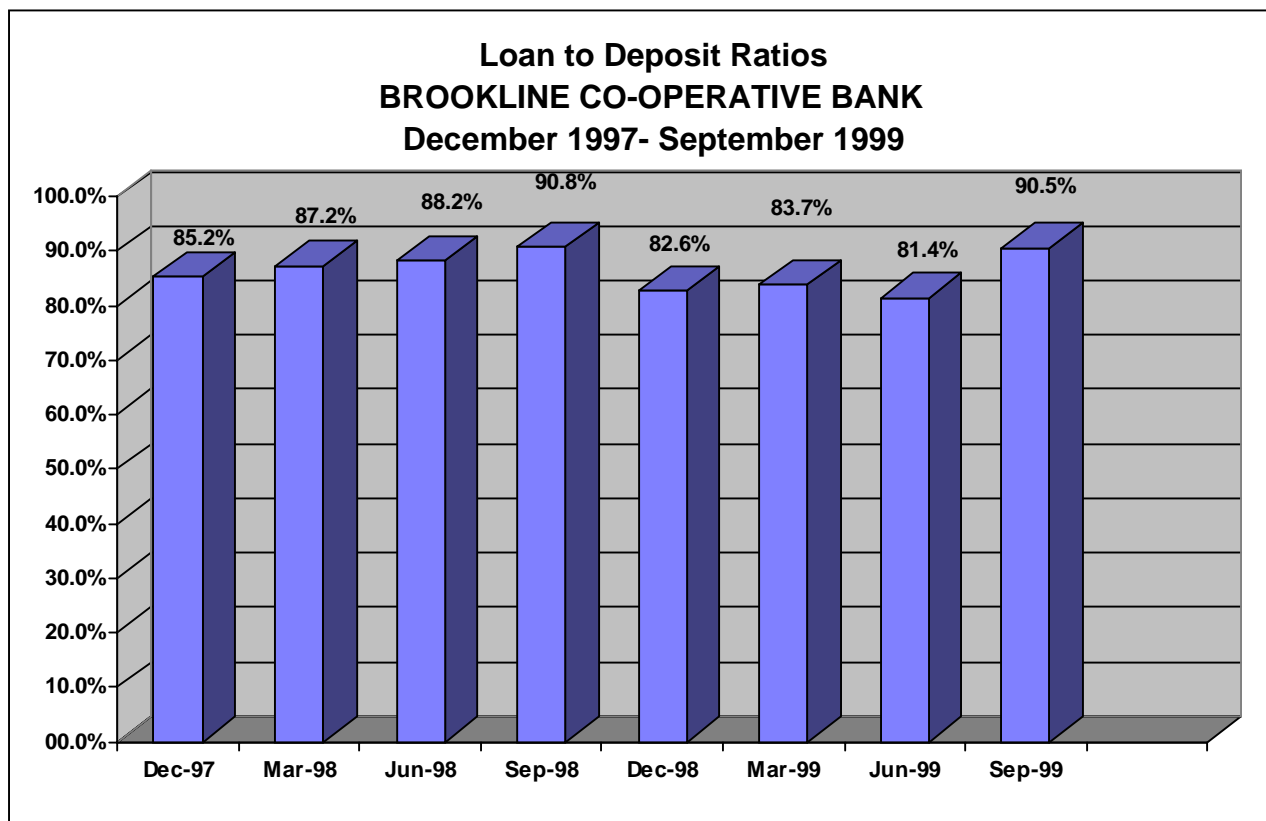
## **PERFORMANCE CRITERIA**

### **1. LOAN TO DEPOSIT ANALYSIS**

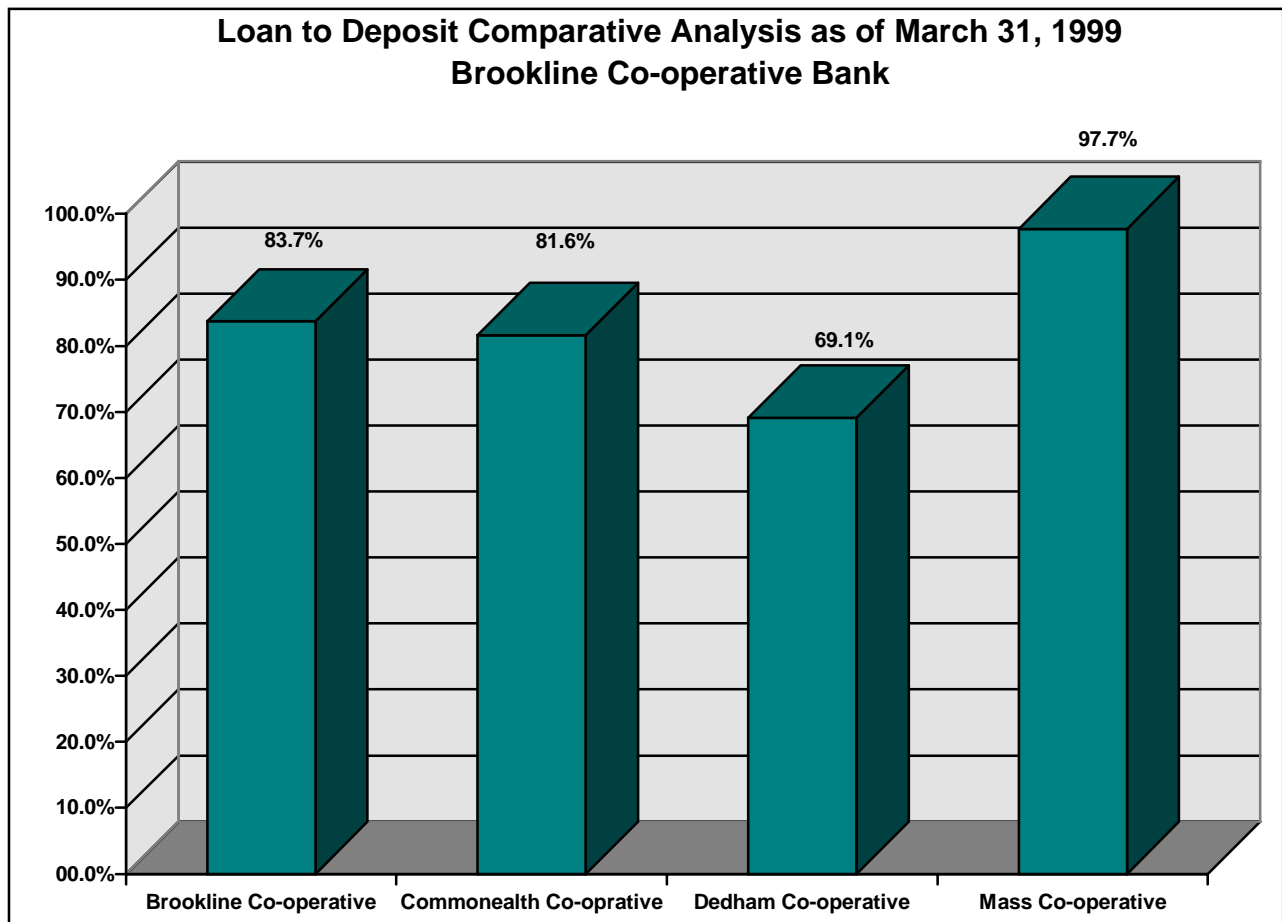
An analysis of Brookline Co-operative Bank's net loan to deposit ratio was performed during the examination. The calculation incorporated eight quarters of the bank's net loan to total deposit figures utilizing the FDIC quarterly call reports. This review included the quarters ending December 31, 1997, through September 30, 1999.

The institution's average net loan to deposit ratio during this period was determined to be 86.2%. This ratio has fluctuated from a high of 90.8% in September 1998 to a low of 81.4% as of June 30, 1999. Management indicated that there were a significant number of payoffs of mortgage and construction loans, which led to the decrease in the ratios. However, the bank has maintained a strong position in lending activity. For the quarter ending September 30, 1999 the bank's loan to deposit ratio stood at 90.5%.

The following graph illustrates the loan to deposit trends.



Brookline Co-operative Bank's loan-to-deposit ratio was compared to that of three local banks of similar asset size. The following graph provides the ratios for these institutions as of March 31, 1999.



Source: UBPR data as of March 31, 1999

Based on the above information and Brookline Co-operative Bank's capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, the demographic and economic factors, and the lending opportunities available in the assessment area, Brookline Co-operative Bank's loan-to-deposit ratio is considered strong and exceeds the standards for satisfactory performance.

## 2. **COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA (S)**

A review of Brookline Co-operative Bank's Loan Application Registers (LAR's) for 1998 and Y-T-D November 1999 was conducted during the examination. This information indicated that the bank originated 112 HMDA reportable loans during this period. The majority of mortgage originations consist of purchases and refinances. A total of 33 loans or 29.5% were originated within the bank's assessment area. These loans total \$4,828,000 and represent 27.3% of the bank's loan originations during this period. Refer to the following tables.

### **MORTGAGE LOAN BY NUMBER OF ORIGINATIONS**

LOCATION	1998		Y-T-D 1999		TOTALS	
	#	%	#	%	#	%
BROOKLINE	20	33.9	13	24.5	33	29.5
INSIDE ASSESSMENT AREA	20	33.9	13	24.5	33	29.5
OUTSIDE ASSESSMENT AREA	39	66.1	40	75.5	79	70.5
<b>TOTALS</b>	<b>59</b>	<b>100%</b>	<b>53</b>	<b>100%</b>	<b>112</b>	<b>100%</b>

Source: HMDA/LAR Data 1998 - Y-T-D 1999 (11/99)

### **MORTGAGE LOAN ORIGINATIONS BY DOLLAR AMOUNT**

LOCATION	1998		Y-T-D 1999		TOTALS	
	\$(000)	%	\$(000)	%	\$(000)	%
BROOKLINE	3,572	37.3	1,256	15.5	4,828	27.3
INSIDE ASSESSMENT AREA	3,572	37.3	1,256	15.5	4,828	27.3
OUTSIDE ASSESSMENT AREA	5,993	62.7	6,856	84.5	12,849	72.7
<b>TOTALS</b>	<b>9,565</b>	<b>100%</b>	<b>8,112</b>	<b>100%</b>	<b>17,677</b>	<b>100%</b>

Source: HMDA/LAR Data 1998 - Y-T-D 1999 (11/99)

The bank has originated a significantly low percentage of its residential mortgage loans within its assessment area. There are several mitigating circumstances that somewhat contribute to this phenomenon including a large percentage of rental units as well a higher than average cost of housing within the Town of Brookline. In addition, the bank's relatively small size makes it more challenging to compete with other much larger institutions within its assessment area.

Despite these mitigating circumstances, it must be noted that the bank's level of lending within its assessment area has been on a decreasing trend. During the previous CRA examination it was noted that 64.9% of the bank's residential mortgage loans were originated outside the assessment area. During the current examination, this percentage stood at 70.5%. As in the previous examination, the bank has originated a significant portion of its residential loans in parts of the City of Boston as well as several other suburban communities located south of Boston and Brookline.

Based on all of the above information, it is evident that the bank has not originated the majority of its residential mortgage loans within its assessment area. As such, performance for this criterion does not meet the standards for satisfactory performance.

### 3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of residential mortgage loans extended within the bank's assessment area, among borrowers of various income levels was conducted. Originations were categorized by the ratio of the applicant's reported incomes to the 1998 and 1999 estimated median family incomes of the Boston Metropolitan Statistical Area (MSA). The median incomes for the Boston MSA were \$60,000 for 1998 and \$62,700 for 1999. Income figures were based on estimated 1998 and 1999 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as income between 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

According to this analysis, 57.6% of the bank's residential mortgage loans were granted to upper-income individuals. Low and moderate-income individuals received 18.2% of the loans. Refer to the following table.

#### **LOAN ORIGINATIONS BY INCOME OF BORROWER**

% OF MEDIAN MSA INCOME	1998		Y-T-D 1999		TOTAL	
	#	%	#	%	#	%
<50%	1	5.0	1	7.7	2	6.1
50% - 79%	2	10.0	2	15.4	4	12.1
80% - 79%	5	25.0	0	10.0	5	15.1
120% >	9	45.0	10	76.9	19	57.6
NA	3	15.0	0	0.0	3	9.1
<b>TOTAL</b>	<b>20</b>	<b>100%</b>	<b>13</b>	<b>100%</b>	<b>33</b>	<b>100%</b>

Source: HMDA/LAR Data for 1998 and Y-T-D 1999 (11/99)

By dollar amount upper-income borrowers received the largest percentage of loans at 53.0% while low and moderate-income borrowers accounted for 8.8%. Refer to the following table.

#### **LOAN ORIGINATIONS BY INCOME OF BORROWER BY DOLLAR AMOUNT**

% OF MEDIAN MSA INCOME	1998	Y-T-D 1999	TOTAL
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	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
<50%	60	1.7	40	3.2	100	2.1
50% - 79%	115	3.2	210	16.7	325	6.7
80% - 79%	759	21.2	0	0.0	759	15.7
120% >	1,553	43.5	1,006	80.1	2,559	53.0
NA	1,085	30.4	0	0.0	1,085	22.5
<b>TOTAL</b>	<b>3,572</b>	<b>100%</b>	<b>1,256</b>	<b>100%</b>	<b>4,828</b>	<b>100%</b>

Source: HMDA/LAR Data 1998 - Y-T-D 1999 (11/99)

Brookline Co-operative Bank's performance was compared to that of other financial institutions granting loans within the assessment area during 1998. This information indicated that Brookline Co-operative Bank's performance exceeded the aggregate. All HMDA reporting lenders within the bank's assessment area granted 8.5% of their loans to low and moderate-income individuals compared to the bank with 15.0%. The bank's performance in this area is particularly significant given the fact that there are no low or moderate-income census tracts within the bank's assessment area.

**LOAN ORIGINATIONS BY INCOME OF BORROWER**  
**BROOKLINE CO-OPERATIVE BANK COMPARED TO ALL OTHER**  
**HMDA-REPORTING LENDERS**

Family Income Level	Number of Loans				Dollars in Loans (000's)			
	Brookline Co-operative Bank		All Other Reporters		Brookline Co-operative Bank		All Other Reporters	
Low	1	5.0	49	1.4	60	0.2	5,489	0.6
Moderate	2	10.0	256	7.1	115	19.2	26,726	3.1
Middle	5	25.0	494	13.7	759	37.3	68,706	8.1
Upper	9	45.0	2,064	57.4	1,553	43.3	538,159	63.4
N/A	3	15.0	735	20.4	1,085	0.0	210,757	24.8
<b>Total</b>	<b>20</b>	<b>100%</b>	<b>3,598</b>	<b>100%</b>	<b>3,572</b>	<b>100%</b>	<b>849,837</b>	<b>100%</b>

Source: 1998 Aggregate HMDA Data compiled by PCI Services, Inc. CRA WIZ

The above analysis of the distribution of credit among individuals of different income levels, including those of low and moderate-income, indicates a better than average performance by the bank. As such, the bank is deemed to exceed the standards for satisfactory performance for this criterion.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

An analysis of mortgage originations extended within the various census tracts located in the bank's assessment area was conducted during the examination. The bank's assessment area is comprised of four middle-income, and eight upper-income census tracts. There are no low or moderate-income census tracts.

According to this analysis, 60.6% of the number of originations and 67.6% of the dollar amount were granted in upper-income census tracts within the bank's assessment area; while 39.4% of the number and 32.4% of the amount were in middle-income census tracts.

#### **ORIGINATIONS BY CENSUS TRACT BY NUMBER**

<b>CENSUS TRACT</b>	<b>1998</b>		<b>Y-T-D 1999</b>		<b>TOTAL</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
MIDDLE	5	25.0	8	61.5	13	39.4
UPPER	15	75.0	5	38.5	20	60.6
<b>TOTAL</b>	<b>20</b>	<b>100%</b>	<b>13</b>	<b>100%</b>	<b>33</b>	<b>100%</b>

Source: HMDA/LAR Data 1998 - Y-T-D 1999 (11/99)

#### **ORIGINATIONS BY CENSUS TRACT BY DOLLAR AMOUNT**

<b>CENSUS TRACT</b>	<b>1998</b>		<b>Y-T-D 1999</b>		<b>TOTAL</b>	
	<b>000's</b>	<b>%</b>	<b>000's</b>	<b>%</b>	<b>000's</b>	<b>%</b>
MIDDLE	693	19.4	871	69.3	1,564	32.4
UPPER	2,879	80.6	385	30.7	3,264	67.6
<b>TOTAL</b>	<b>3,572</b>	<b>100%</b>	<b>1,256</b>	<b>100%</b>	<b>4,828</b>	<b>100%</b>

Source: HMDA/LAR Data 1998 - Y-T-D 1999 (11/99)

The geographic distribution of the banks mortgage loans originations reasonably reflects the distribution of census tracts within the bank's assessment area. As such, performance under this criterion is deemed satisfactory.

## **5. REVIEW OF COMPLAINTS/FAIR LENDING**

Brookline Co-operative Bank has not received any complaints related to its CRA performance since the previous examination. In addition, the bank has procedures in place should any consumer complaints related to CRA be received.

### **FAIR LENDING POLICIES AND PRACTICES**

The bank has a Fair Lending policy, which is reviewed and approved annually by the Board of Directors. The following details the bank's fair lending performance as it correlates to the Division's Regulatory Bulletin 2.3-101, Community Reinvestment and Fair Lending Policy.

## **STAFF TRAINING**

The bank is a member of the Community Bank League of New England, which holds diversity seminars. Management has attended seminars pertaining to CRA and Fair Lending Issues since the last examination.

## **STAFF COMPOSITION AND COMPENSATION**

As of November 22, 1999, the bank had a total of 14 full-time employees and 1 part-time employee.

The bank does not compensate loan originators on a commission basis thereby encouraging loan originations of all dollar amounts.

## **OUTREACH**

Much of the bank's efforts to determine the credit needs of the assessment area are conducted by the officers and directors of the bank. The officers and directors are in regular contact with city and local officials. Representatives of the bank's mortgage department engage in an on-going dialogue with the community's real estate industry professionals when marketing the bank's loan programs and rates. The President is actively involved with the Brookline Consortium, which includes several local financial institutions that assist in the economic development of the Brookline community.

## **CREDIT PRODUCTS AND UNDERWRITING STANDARDS**

The bank reviews each credit product offered to determine the level at which these products meet the credit needs of all segments of its assessment area. The products are set by the President and Senior Loan Officer and reviewed by the Security Committee.

The bank offers a First Time Home Buyers Program on single and two family properties with reduced rates and closing costs. The bank also participates in the Downpayment Assistance Program sponsored by the Town of Brookline. This program provides financial assistance to potential homebuyers who may have difficulty meeting downpayment requirements on residential properties.

## **MARKETING**

The bank utilizes the local media, including The Brookline Tab, The Boston Globe, and The Jewish Advocate to advertise its lending products and banking services.

## **CREDIT EDUCATION**

Brookline Co-operative Bank co-sponsored a First Time Homebuyers seminar in 1999 in conjunction with the Brookline Consortium, a group that includes several local financial institutions. The bank has also participated in credit seminars at the Brookline Town Hall. These seminars were also sponsored by the Consortium and included such topics as "Credit Reports", "Connecting", "Discrepancies", and "How to Maintain a Good Credit Standing".

## **COUNSELLING**

Bank staff provides information and the addresses of HUD-approved credit counseling agencies to denied applicants or applicants experiencing credit difficulties.

## **SECOND REVIEW PRACTICES**

The bank has a second review policy in place. The policy states that each loan is underwritten by the bank's senior lending staff and reviewed by the President/CEO. If an adverse action is recommended, a review by the bank's Security Committee is also completed to determine if there are alternate terms under which credit can be offered. The Compliance Officer reviews a sampling of originations and all denials throughout the year. This process is designed to assure that all bank standards and underwriting guidelines are enforced in a fair and equitable manner.

## **INTERNAL CONTROL PROCEDURES**

The bank's President and Senior Lending Officer review the HMDA/LAR on an annual basis. The Senior Lending Officer is responsible for reviewing all denied loan applications to ensure compliance with fair lending practices. The Senior Lending Officer is also responsible for reviewing the HMDA data and comparing the data with other lenders in its peer group.

## **MINORITY APPLICATION FLOW**

The bank's residential mortgage loans were also reviewed to determine the number of applications received from minority borrowers. During the period reviewed, the bank received and originated four loan applications from minority borrowers. These loans represented 10.8% of the total applications from within the assessment area. Of the total population within the bank's assessment area, 14.8% are minority. Based on the review of the bank's application flow, it appears that the bank is receiving applications from minority borrowers at a rate that is consistent with the demographic makeup of its assessment area.

## **CONCLUSION-Fair Lending**

Based upon the above information and analysis, the bank's fair lending policies and practices are satisfactory.



THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**BROOKLINE CO-OPERATIVE BANK**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **NOVEMBER 22, 1999**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.